

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6474

BILL NUMBER: HB 1064

NOTE PREPARED: Dec 6, 2005

BILL AMENDED:

SUBJECT: School levy freeze.

FIRST AUTHOR: Rep. Buck

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
DEDICATED
FEDERAL

IMPACT: Pending

Summary of Legislation: Imposes a freeze on the total amount of ad valorem property taxes that may be imposed by a school corporation for all funds beginning in 2007. Provides that another school fund must be used if for any reason there is a debt service obligation that is guaranteed from property taxes and constitutes an increased debt burden over 2006 levels. Allows the department of local government finance to increase the limit to allow a school corporation or tax increment financing area to meet its obligations if insufficient money is available after the taxing unit has eliminated all discretionary spending and sold all surplus property. Permits a school corporation to exceed the limit if a referendum is passed. Limits the referendum increase to 1% over the limited amount and to the period approved in the referendum. Permits the referendum tax levy to be allocated to any fund. Establishes a local income for education surtax at a rate of 0.25% for individuals, at a rate of 0.63% for corporations and financial institutions, and at a rate of 0.1% for utilities and insurance companies electing to pay the insurance premium tax. Deposits the surtax revenue into a dedicated state fund named the local income for education (LIFE) fund. Modifies the school funding formula to provide that the amount that would have been contributed in a year from general fund property taxes above the freeze limit is instead replaced with distributions distributed from the LIFE fund. Provides for a supplement LIFE distribution of not more than: (1) the assessed value growth quotient times the prior year LIFE distribution; minus (2) the current year general fund property tax replacement amount. Permits the supplemental distribution to be allocated to any fund.

Effective Date: July 1, 2006; January 1, 2007.

Explanation of State Expenditures: *As of the above date, the fiscal analysis of this bill has not been completed. Please contact the Office of Fiscal and Management Analysis for an update of this fiscal impact*

statement.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected:

Information Sources:

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